



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2009 Biennium

<b>Bill #</b>	SB0407	<b>Title:</b>	Authorizing emergency discharges of coal bed methane water
<b>Primary Sponsor:</b>	Bales, Keith	<b>Status:</b>	As Introduced

- |   |  |  |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact     | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input checked="" type="checkbox"/> Technical Concerns   |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts           | <input type="checkbox"/> Dedicated Revenue Form Attached |

### FISCAL SUMMARY

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
<b>Expenditures:</b>				
State Special Revenue	\$85,485	\$81,005	\$83,030	\$85,105
<b>Revenue:</b>				
State Special Revenue	\$33,750	\$66,750	\$107,050	\$138,550
<b>Net Impact-General Fund Balance</b>	\$0	\$0	\$0	\$0

### Description of Fiscal Impact:

This bill would require the Department of Environmental Quality to develop a general permit and develop a "Notice of Intent" (NOI) application process. The applicant would be permitted to discharge produced water from coal bed methane development into an existing impoundment for up to 180 days. One new FTE would be required to handle the increased permitting workload.

### FISCAL ANALYSIS

#### Assumptions:

#### **Department of Environmental Quality (DEQ)**

1. This analysis is based on the existing water rights from DNRC which identify 4,539 existing reservoirs in the Powder River basin; the department assumes that up to 10% of these would meet the criteria of the bill annually.
2. One (1) Environmental Specialist would be hired in FY 2008 to develop and administer a general permit and conduct compliance monitoring and inspections.
3. Anticipated expenses are as follows: Personal services (salaries and benefits) would be \$50,430 in FY 2008, \$50,430 in FY 2009, \$51,691 in FY 2010, and \$52,983 in FY 2011. Operating expenses would be \$35,055 in FY 2008, \$30,575 in FY 2009, \$31,339 in FY 2010, \$32,122 in FY 2011, which covers

supplies, travel, communications, education, training, motor pool costs, and indirect costs, etc. The costs for FY 2008 and FY 2011 are higher for office setup and computer replacement. A 2.5% inflation factor has been applied for FY 2010 and FY 2011.

4. Funding for this new FTE would be from state special revenue from fees collected for permit applications and annual invoicing.
5. Administrative support for this new program will be absorbed by current staff.
6. Revenue will be generated through the assessment of application and annual fees. Using existing water protection fee rules, each impoundment applied for will pay an application fee (\$400) once every five years and an annual fee (\$350) each year for up to a total of five impoundments per permit. It is estimated that there are 4,554 impoundment sites and that 10% or 450 of those sites would be eligible for emergency discharges.
7. In ramping this program up it is projected that 10% or 45 impoundments would be permitted in FY 2008 which would generate \$33,750  $((45 \times \$400) + (45 \times \$350))$ . Another 15% or 68 would be permitted in FY 2009 generating revenue of \$66,750  $((68 \times \$400) + ((45 + 68) \times \$350))$ . For FY 2010 and FY 2011, it is estimated that an additional 20% or 90 permits would be issued each of those years generating \$107,050  $((90 \times \$400) + ((45 + 68 + 90) \times \$350))$  in FY 2010 and \$138,550  $((90 \times \$400) + ((45 + 68 + 90 + 90) \times \$350))$  in FY 2011.
8. At the end of the fourth year it is projected that the program will have permitted up to 293 (65% of the 450) impoundments and the program's net affect on fund balance will be positive. As the program continues to permit the remaining 157 impoundments additional staff and operating costs will be incurred to handle the workload and revenue will be generated from the existing and additional impoundments to cover expenses.

	<b><u>FY 2008 Difference</u></b>	<b><u>FY 2009 Difference</u></b>	<b><u>FY 2010 Difference</u></b>	<b><u>FY 2011 Difference</u></b>
<b><u>Fiscal Impact:</u></b>				
FTE	1.00	1.00	1.00	1.00
<b><u>Expenditures:</u></b>				
Personal Services	\$50,430	\$50,430	\$51,691	\$52,983
Operating Expenses	\$35,055	\$30,575	\$31,339	\$32,122
<b>TOTAL Expenditures</b>	<b>\$85,485</b>	<b>\$81,005</b>	<b>\$83,030</b>	<b>\$85,105</b>
<b><u>Funding of Expenditures:</u></b>				
State Special Revenue (02)	\$85,485	\$81,005	\$83,030	\$85,105
<b><u>Revenues:</u></b>				
State Special Revenue (02)	\$33,750	\$66,750	\$107,050	\$138,550
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
State Special Revenue (02)	(\$51,735)	(\$14,255)	\$24,020	\$53,445

**Technical Notes:**

1. Under state and federal law, the Department of Environmental Quality cannot issue a permit that allows discharge of water that would cause an exceedance of a water quality standard or the natural condition of the receiving water when the natural condition exceeds the standard. The general permit issued under this statute would therefore contain this condition. Because the sodium adsorption ratio (SAR) in coal bed methane water is substantially higher than the SAR standard and the natural SAR level in most ephemeral drainages, the general permit would be of limited utility.

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*Sponsor's Initials*

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*Date*

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*Budget Director's Initials*

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*Date*